

Orig to Hanks
9/2/55

Dr. H. S. Craig

September 1, 1955

Charles H. Taquey

Mrs. Hanks' Memorandum of July 7.

1. The Commodity Credit Corporation has sold to Brazil 100,000 tons of wheat for dollars. That transaction does not come under PL 480 (Agricultural Trade Development and Assistance Act). The Brazilians were to make payments on August 21, but they asked for a ninety-day extension. They were told that this request would receive sympathetic consideration.

2. With regard to sale of surplus commodities for local currency under PL 480, negotiations are taking place between the Brazilian Government and the U.S. Embassy in Rio. We were told last week that a firm request for 500,000 tons of wheat would be forthcoming soon. The Department of Agriculture has not heard from it as yet. Requests for butter and feed grains are also expected. When these requests are made, they will be considered by the commodity divisions of Agriculture and a decision will be made by the inter-agency committee chaired by Mr. Ionis of Agriculture. Before that, agreement must be reached on the rate of exchange at which the cruzeiro will be accepted, on the rate of exchange guarantee, and on the use of cruzeiros given in payment. Brazil may have to rework its multiple exchange rate system, and this operation will have to take place before agreement is reached. For these various reasons the deal is not expected to be firmed up before several months, in all probability not before the October 3 elections.

3. There is no doubt that Brazil needs some of our commodities, especially because of failure to receive a normal supply from Argentina. A barter of wheat for coffee was mentioned at the June 14 meeting (ref. memo). Unfortunately the law (PL 480) does not permit that type of barter and the Brazilians, eager to dispose of their coffee for dollars, would not like it.

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cc: Col. Greshaw.

OCB/SPS:CHTauey:GBA